



Early Learning Trust for Indiana Children

FUNDING OVERVIEW

Purpose: To Support Voluntary Full Day Kindergarten & Preschool Programs

Full Day Kindergarten:

- Currently, approximately 6,000 students attend qualified full day kindergarten statewide.
- The Early Learning Trust would make full day kindergarten available to an additional 20,000 students beginning in the fall of 2004.
- The Plan would fund 26,000 students in each of school years 2004-05, 2005-06 and 2006-07.
- Beginning in school year 2007-08, full day kindergarten would be made available to every kindergartener in the state.

Preschool Programs:

- Preschool programs for at risk children would be piloted in school years 2005-06 and 2006-07.
- The Early Learning and School Readiness Commission, which shall be created by executive order of the Governor, will make recommendations about the programs.
- Preschool programs will be expanded following school year 2005-06.

Funding:

- Funding will come from a variety of sources:
 - Common School Fund
 - Revenues into the Common School Fund
 - Diverted abandoned property funds
 - Existing state general fund appropriations

Common School Fund

- The Common School Fund is a fund created by the Indiana Constitution. The Indiana Constitution (Art. 8) states that the fund shall be used to support the common schools, and that the principal of the fund may not be spent. The General Assembly has allowed schools to borrow from the Common School Fund for purposes of construction and certain technology costs. Charter schools are also eligible to borrow from the Common School Fund for initial operating costs. Total assets in the Common School Fund are about \$520M. In addition, approximately \$40 to \$50 million in additional revenue accrues to the fund every year from abandoned property and fines, penalties and forfeitures.

- The Plan asks that the Indiana Constitution be amended to change the Common School Fund to the Early Learning Trust and that the Early Learning Trust be used to fund full day kindergarten and preschool programs. The proposed amendment would allow the state to use the principal of the fund. Charter schools would still be eligible to borrow funds for start-up expenses and \$30M would be set aside for emergency capital borrowing for the poorest of school corporations. Otherwise schools would no longer be able to borrow from the Common School Fund for construction or technology costs. Schools would be eligible for advances from the Common School Fund of up to \$31.5M in FY 2005, \$14.5M in FY 2006 and \$18.5M in FY 2007 to pay for full day kindergarten and would be paid back from their future grant funds.
- The Constitutional Amendment would be passed by the 2004 and 2005 General Assemblies and by voter referendum in the fall of 2006.
- The principal of the fund would then be available to spend on full day kindergarten and preschool programs beginning in FY 08.

Abandoned Property Fund

- The Indiana Constitution requires that assets from the sale of certain abandoned property (lands and other estate) transfer into the Common School Fund. Those transfers will continue into the Common School Fund and then to the Early Learning Trust.
- Indiana statutes also transfer certain other abandoned property (primarily personal property) into the Common School Fund. This transfer is estimated to be about \$25M per year. This Plan would divert that \$25M to the Early Learning Trust in both FY 2006 and FY 2007.
- In FY 2004 and FY 2005 only, the General Assembly is diverting all but \$500,000 of the statutory transfer to the general fund.

State General Fund

- The Plan requires no new general fund appropriations.
- In both FY 2004 and FY 2005, the General Assembly appropriated \$8.5M from the general fund toward full day kindergarten. This plan assumes that appropriation would be ongoing.
- Beginning in FY 2008, the state would begin rolling the full day kindergarten students into the school formula. According to the U.S. Census Bureau, Indiana expects to see a decline in school age children of about 40,000 from 2005 to 2012. If every child in the state attends full day kindergarten by 2012, the total increase in school enrollment (ADM) due to full day kindergarten would be about 35,000. Therefore, this demographic dividend (the net of decreased school age children and the increase in ADM due to full day kindergarteners) is expected to mitigate the effect on increases in tuition support appropriations.

FY 2008 and Beyond

- The existing \$8.5M general fund appropriation for full day kindergarten is assumed to be ongoing.
- The principal of the Early Learning Trust Fund would be available for expenditures beginning in FY 2008.
- Ongoing revenues into the Common School Fund from abandoned property and fines, penalties and forfeitures will continue into the Early Learning Trust to provide an ongoing source of revenue to the Early Learning Trust. Those revenues are expected to be \$40 - \$50 million per year.
- Full day kindergarten students would begin being worked into the school formula. The combination of the existing general fund appropriations, the principal made available from the Early Learning Trust, the ongoing revenues into the Early Learning Trust and the demographic dividend allow the full day kindergarten students to be worked into the school formula with average annual increases in tuition support appropriations.